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**ANNUAL
REPORT
1968**

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THE L. M^cBRINE CO. LIMITED



THE L. McBRINE CO. LIMITED

HEAD OFFICE AND FACTORY

35-59 Water Street South, Kitchener, Ontario

OFFICERS

E. J. SHOEMAKER, President

N. T. BERRY, Q.C., Vice-President

W. E. BISH, Secretary and Treasurer

DIRECTORS

F. G. BERLET / N. T. BERRY, Q.C. / W. E. BISH

A. GINGRICH / E. J. SHOEMAKER

BRANCHES

VANCOUVER, British Columbia

EDMONTON, Alberta

WINNIPEG, Manitoba

MONTREAL, Quebec

REGISTRAR AND TRANSFER AGENT

CANADA PERMANENT TRUST COMPANY

1901 Yonge Street

Toronto 7, Ontario



To the Shareholders of
THE L. McBRINE CO. LIMITED:

Your Board of Directors submits the Financial Statements of the Company for the year ending December 31, 1968, consisting of the Balance Sheet, Statement of Income and Retained Earnings, Statement of Source and Application of Funds, and the report of the Company's Auditors, Messrs. Thorne Gunn Helliwell & Christenson.

The Financial Statements show that the year's operations resulted in a loss. The new product development, production techniques and special equipment have required extra time to complete and perfect. Our policy of producing a high standard of style and ruggedness worthy of our name and our customers' acceptance has been maintained through extensive research and market testing. We believe the current year will begin to show the results of many improvements in product as well as in our manufacturing and marketing organization.

Your Directors wish to thank all the employees, department heads and executives for their loyalty, energy and active interest in the welfare of the Company.

On behalf of the Board,

Kitchener, Ontario
April 11, 1969

President.



THE L. McBRINE CO. LIMITED
INCORPORATED UNDER THE LAWS OF ONTARIO

BALANCE SHEET

(with comparative figures for 1967)

ASSETS	1968	1967
Current Assets		
Accounts receivable	\$ 313,317	\$ 362,420
Income and refundable taxes recoverable	649	10,804
Inventory of finished goods and work in process at estimated prime cost, which is not in excess of net realizable value, and raw materials at the lower of cost and replacement cost	618,320	704,713
Prepaid expenses	8,202	10,140
	<u>940,488</u>	<u>1,088,077</u>
Other Asset		
Life insurance, cash surrender value	<u>100,713</u>	<u>94,360</u>
Fixed Assets, at cost		
Land	13,500	13,500
Buildings	223,885	222,658
Machinery and equipment	529,372	488,919
	<u>766,757</u>	<u>725,077</u>
Less accumulated depreciation	553,803	503,302
	<u>212,954</u>	<u>221,775</u>
	<u>\$1,254,155</u>	<u>\$1,404,212</u>

Approved by the Board / E. J. S.



DECEMBER 31, 1968
(at December 31, 1967)

LIABILITIES	1968	1967
Current Liabilities		
Bank advances (note 1)	\$ 785,920	\$ 703,683
Accounts payable and accrued liabilities	101,965	84,786
Dividend payable		10,000
	<u>887,885</u>	<u>798,469</u>

SHAREHOLDERS' EQUITY

Capital Stock (note 2)

Authorized and issued		
20,000 Cumulative participating preference shares of no par value, dividend \$1 per annum	}	240,000
10,000 Common shares of no par value		
		240,000

Retained Earnings	<u>126,270</u>	<u>365,743</u>
	<u>366,270</u>	<u>605,743</u>

\$1,254,155 \$1,404,212

ker, Director / W. E. Bish, Director

STATEMENT OF INCOME AND RETAINED EARNINGS

Year ended December 31, 1968

(with comparative figures for 1967)

	1968	1967
Loss for the year before undernoted items	\$ 94,963	\$ 11,225
Depreciation	53,012	48,203
Aggregate direct remuneration of directors and senior officers (as defined by The Corporations Act of Ontario)	81,498	81,612
Loss before income taxes recoverable	<u>229,473</u>	141,040
Income taxes recoverable		6,884
Loss for the year	<u>229,473</u>	<u>134,156</u>
Retained earnings at beginning of year	365,743	529,899
	<u>136,270</u>	<u>395,743</u>
Deduct dividends on		
Preference shares	10,000	20,000
Common shares		10,000
	<u>10,000</u>	<u>30,000</u>
Retained earnings at end of year	<u>\$126,270</u>	<u>\$365,743</u>

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 1968

1. Bank Advances

Bank advances are secured by a pledge of inventories and by a \$950,000 7½% First Mortgage Bond which has been issued as collateral security.

2. Capital Stock

Holders of preference and common shares are entitled to participate equally, share for share, in any distribution of assets to shareholders, save only that the holders of preference shares are entitled to priority in respect of all preferential dividends accrued or accruing, due and unpaid, whether declared or not.

The dividends on preference shares are in arrears in the amount of \$10,000.

3. Other Statutory Information

Sales for the year ended December 31, 1968 were 21.5% less than the average of the five preceding years and 10.6% less than sales for the year ended December 31, 1967.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1968
(with comparative figures for 1967)

	1968	1967
SOURCE OF FUNDS		
Disposal of fixed assets		\$ 2,530
Special refundable tax		920
		<u>3,450</u>
APPLICATION OF FUNDS		
Operations		
Loss for the year	\$229,473	134,156
Depreciation which does not involve a current outlay of funds	(53,012)	(48,203)
	<u>176,461</u>	<u>85,953</u>
Additions to fixed assets	44,191	81,653
Dividends on		
Preference shares	10,000	20,000
Common shares		10,000
Increase in life insurance, cash surrender value	6,353	6,057
	<u>237,005</u>	<u>203,663</u>
Decrease in working capital	237,005	200,213
Working capital at beginning of year	289,608	489,821
Working capital at end of year	<u>\$ 52,603</u>	<u>\$289,608</u>

AUDITORS' REPORT

To the Shareholders of The L. McBrine Company, Limited

We have examined the balance sheet of The L. McBrine Company, Limited as at December 31, 1968, and the statements of income, and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company at at December 31, 1968, and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Kitchener, Ontario, February 5, 1969

Thorne, Gunn, Helliwell & Christenson, Chartered Accountants.



McBRINE

Built with skill, understanding and a touch of magic, by Canadian masters



INTERIM REPORT TO SHAREHOLDERS

STATEMENT OF INCOME AND RETAINED EARNINGSSIX MONTH PERIOD ENDED JUNE 30, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
Loss for period before undernoted items	\$ 48,387	\$ 48,373
Profit on disposal of fixed assets	<u>400</u>	<u>549</u>
	<u>47,987</u>	<u>47,824</u>
Add		
Depreciation	22,348	20,438
Aggregate direct remuneration of directors and senior officers (as defined by The Corporations Act)	<u>41,833</u>	<u>40,412</u>
	<u>64,181</u>	<u>60,850</u>
Loss before income taxes	112,168	108,674
Income taxes recoverable by application of 1967 loss against the previous year's income		<u>7,200</u>
NET LOSS FOR PERIOD	<u>112,168</u>	<u>101,474</u>
RETAINED EARNINGS AT BEGINNING OF PERIOD	<u>365,743</u>	<u>529,899</u>
	<u>253,575</u>	<u>428,425</u>
Deduct dividends on		
Preference shares	10,000	10,000
Common shares	<u>10,000</u>	<u>20,000</u>
RETAINED EARNINGS AT END OF PERIOD	<u>\$243,575</u>	<u>\$408,425</u>

NOTE

Sales for the period were 18.3% less than the average of the same periods in the five preceding years, and 6.3% lower than sales for the same period in 1967.

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THE L. McBRINE COMPANY, LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

SIX MONTH PERIOD ENDED JUNE 30, 1968
(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
SOURCE OF FUNDS		
Proceeds from sale of fixed assets	\$ 400	\$ 3,350
Refund of special refundable tax		330
	<u>400</u>	<u>3,680</u>
APPLICATION OF FUNDS		
Operations		
Loss for period	112,168	101,474
Depreciation, which does not involve a current outlay of funds	(22,348)	(20,438)
Profit on disposal of fixed assets reflected in net loss for period	<u>400</u>	<u>549</u>
	90,220	81,585
Additions to fixed assets	9,701	68,685
Dividends on		
Preference shares	10,000	10,000
Common shares		10,000
Premiums on life insurance policies	4,386	4,386
Special refundable tax	<u>629</u>	
	<u>114,936</u>	<u>174,656</u>
DECREASE IN WORKING CAPITAL	114,536	170,976
WORKING CAPITAL AT BEGINNING OF PERIOD	<u>289,608</u>	<u>489,821</u>
WORKING CAPITAL AT END OF PERIOD	<u>\$175,072</u>	<u>\$318,845</u>

